



Advisor Insights

News & Resources for Professional Advisors

Hello from Wayne County Community Foundation, and happy November!

Thank you for the opportunity to work together as you serve your philanthropic clients. We are grateful for the many ways our team collaborates with attorneys, accountants, and financial advisors. Whether we are working together to structure a family's donor-advised fund, a gift of real estate, endowed support for a favorite nonprofit, or a Qualified Charitable Distribution to a field-of-interest fund at the community foundation, our team enjoys and appreciates every minute.

In this issue, we're covering three highly-requested topics:

1. Outlining how to use donor-advised funds to help your clients continue giving to their favorite charities even when stocks are down.
2. Clarifying GivingTuesday so that you can be prepared to answer clients' questions and help them participate in a meaningful way.
3. Reinforcing the importance of valuing gifts of hard-to-value assets to avoid running afoul of the IRS's stringent rules.

As always, we are here for you! Please call or email anytime with your charitable giving questions. More often than not, the team at the Foundation can help your clients. If we're not a fit, we are happy to point you in the right direction. We love serving as your first stop for all things philanthropy.

Wishing you and your family all the best for the Thanksgiving holiday,

Your Community Foundation

Strong year-end giving in a bear market: Donor-advised funds come in handy

Giving appreciated stock to charitable organizations is certainly a highly-effective tax strategy. During years when highly-appreciated stock is in short supply, however, implementing this strategy may be easier said than done.

This is when a Donor Advised Funds (DAF) come in especially handy. Now is the time to discuss charitable giving with those clients who regularly added to their DAF throughout the market's long bull run. If these clients intend to **ride out** today's market conditions in their personal portfolios, this year's bear market doesn't mean the clients' year-end charitable giving has to take a hit. These clients can use their DAF to support their favorite organizations, sometimes even at levels consistent with prior years.

Similarly, for some clients, this may be a year to consider contributing cash to a DAF instead of donating highly-appreciated stock (which has been the go-to gift for so many of the last several years). Gifts of cash could reduce the burden on a client's personal stock positions that may have fallen in value dramatically, giving these positions more time to recover value and, at some point in the future, be contributed to a DAF at a higher value (thereby resulting in a higher tax deduction for the client).

Now may also be a good time for clients to consider using their cryptocurrency in creative ways to meet their charitable giving goals. Clients holding cryptocurrency may have come to the conclusion that it **does not necessarily provide** the protection against inflation they thought it would. A client could, for instance, sell their cryptocurrency at a loss and contribute the cash to their DAF. Then, the client can keep an eye on the cryptocurrency market and decide when—or whether—to wade back in.

Finally, consider encouraging your clients who've not yet established a DAF at the Foundation to consider doing so now. Not only does a DAF help organize charitable giving, but over the long term it can also protect a client's ability to support favorite charitable organizations even when market conditions are rough.

The team at Wayne County Community Foundation is always happy to help your clients maximize both the philanthropic and financial elements of their charitable giving strategies. We look forward to hearing from you.

It's a big deal: Answering clients' questions about GivingTuesday

Among the many client questions you and other professional advisors can be prepared to answer as year-end approaches is, "What is Giving Tuesday?"

Giving Tuesday—or "GivingTuesday" to be more accurate—has become a philanthropic phenomenon of sorts, generating support and enthusiasm from a wide range of people and institutions. Many of your clients are likely reading about GivingTuesday in the media, especially after the Gates Foundation recently **announced** its \$10 million gift to support the effort.

Celebrating 10 years in 2022—and vastly different from both the Black Friday and Cyber Monday that it follows—GivingTuesday is a day of generosity. Generosity of time, effort, money, concern or any other well-intended act of giving.

Facts about GivingTuesday:

- More than a day, GivingTuesday is a movement and **an organization**.
- Founded in 2012 at New York's 92nd Street Y and celebrated globally.
- Falls on the first Tuesday following Thanksgiving, always.
- Though not strictly a fundraiser, money "**moved**" has grown from \$28 million in 2013 to \$2.7 billion in the U.S. in 2021.

Clients typically get involved in GivingTuesday by supporting their favorite charitable organizations. Many nonprofits promote GivingTuesday as an important source of funds for their organizations, and they frequently encourage their donors—your clients—to give via cash, check, or online. Your clients also can participate in GivingTuesday by recommending grants from their Donor Advised Funds to favorite organizations.

Far beyond simple acts of benevolence, GivingTuesday is steeped in the idea of "radical generosity," which the organization describes as giving to create systemic change, or to "recognize that we each can drive an enormous amount of positive change by rooting our everyday actions, decisions and behavior in radical generosity—the concept that the suffering of others should be as intolerable to us as our own suffering. Radical generosity invites people to give what they can to create systemic change."

Beyond monetary donations, systemic change comes from **participating in activities** like social media advocacy (using the hashtag #Giving Tuesday helps create a ripple-effect awareness online), sharing love, spreading kindness, supporting a food pantry, shopping local or hosting a food or coat drive.

To help clients learn more or get answers to additional questions about GivingTuesday, please reach out to the Foundation. Our team welcomes your call!

Adopt a "donor beware" attitude: Clients make non-marketable gifts

Market declines and inflation have made 2022 a more

challenging year for some clients to fulfill their traditional giving objectives or early-year gifting intentions.

With annual inflation hovering at 8% (and no relief in sight) and liquidity perhaps less than ideal, cash may be hard for donors to part with. Giving stock may also be hard to swallow, at least psychologically, in a down market. For example, assume shares of a client's stock have dropped 15% over the last quarter, from \$200 per share to \$170. If the client has been intending to make a \$10,000 gift to charity this year, last quarter the client could have accomplished that with a gift of 50 shares. Now, though, the client will need to give nearly 59 shares to hit that \$10,000 target. Realizing that it will "take more shares to do the same good," your clients may be less inclined to give depreciated stock shares to their Donor Advised Funds and other charitable recipients.

So, with money tight and stock perhaps painful to give, your clients may be considering alternatives to cash or securities for their gifts to charity. You and your clients need to be aware of the rules—meaning the IRS's rules—to both meet the clients' objectives and stay in Uncle Sam's good graces.

A high-level understanding starts with the \$5,000 threshold for documentation that appears **on IRS Form 8283**, titled Noncash Charitable Contributions. This form is required to be filed with any tax return claiming such a deduction.

Substantiation of value up to \$5,000 is routine and consistent with securities (*i.e.*, acquisition and contribution dates, fair market value of the item(s) and method of value determination). Requirements for gifts up to \$500 are less stringent.

Real estate, closely-held stock, art, jewelry, vehicles or baseball card collections, for example, valued at \$5,000 or greater require more specifics. They're also subject to greater scrutiny if the donor is audited or questioned.

Consider the additional documentation requirements:

- From the donor (your client): the type of gift, description, physical location and a third-party appraisal of value.
- From the appraiser: a signed declaration on the tax form describing their qualifications and identification number; that they do this work regularly; and where they can be located.
- From the recipient (the charity, sometimes known as the "donee"): signed confirmation of qualification, receipt, federal identification number and a commitment to document and notify if disposition occurs within three years.

Your clients also need to know that meeting the requirements for declaring value rests with them and not their tax preparer, recipient organization or appraiser. In the recent case of **Heinrich C. Schweizer v. Commissioner**, a donor/taxpayer was found liable for reimbursements and penalties related to a decade-old donation of art first valued at \$600,000—later reduced by more than 50%—and exacerbated by the IRS's determination of participants' roles and responsibilities. Tax advisors continue to be reminded of the intricate requirements to substantiate hard-to-value gifts such as conservation easements, watching carefully to see how taxpayers can **win valuation arguments** with the IRS.

So while a high-value donation of real property to your client's Donor Advised Fund at the Foundation or a little-used auto to benefit a charity is admirable and relieves the pressure on making traditional cash or securities gifts, patrons should take a vigilant and "donor beware" approach to alternative gifting. While beauty is in the eye of the beholder, value and deductibility are determined by others.

The team at Wayne County Community Foundation is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.

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